

CONDOMINIUM/COOPERATIVE HOUSING
FORMATION IN
KAZAKHSTAN

DESCRIPTION AND EXHIBITS

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ABSTRACT

With nearly 90 percent of Kazakhstan's housing stock now under private ownership, one of the objectives of President Nazarbayev's 1991 housing decree have been substantially accomplished, however, the responsibilities for managing and maintaining the housing have not been transferred over to the private home owners. This second phase of the national privatization effort, encouraging the formation of resident management cooperatives, is a housing reform program jointly sponsored by the Republic of Kazakhstan, the national housing maintenance agency, and USAID/ICMA. This paper summarizes the four phase program to assist in the formation of resident management cooperatives and provides a detailed report on the first phase of the program, a training workshop for local government officials held in Almaty, Kazakhstan in December 1994.

APPENDIXES

- EXHIBIT A ICMA LETTER OF INVITATION TO CITIES
- EXHIBIT B AGREEMENT OF CITY TO PARTICIPATE IN THE PROGRAM
- EXHIBIT C MODEL BYLAWS AND PETROPAVLOVSK RESOLUTION
- EXHIBIT D INFORMATIONAL BOOKLET PREPARED FOR SEMINAR
- EXHIBIT E WORKSHOP QUESTIONNAIRE COMPLETED BY CITY TEAMS
"WHAT IS EXPECTED ONCE YOU COME HOME"
- EXHIBIT F CLOSING RESOLUTION OF THE WORKSHOP
- EXHIBIT G WORKSHOP PARTICIPANTS INITIATED SURVEY ON THE
EXTENT OF PRIVATIZATION
- EXHIBIT H OVERHEADS UTILIZED DURING THE WORKSHOP

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EXECUTIVE SUMMARY

The Republic of Kazakhstan has proceeded aggressively with the privatization of its housing stock. Although the exact number is not known, government officials estimate that over 90 percent of the individual apartments eligible for privatization now under private ownership¹. Never the less, the full rights of home ownership have not been fully realized in the sense that responsibility for maintenance has not been transferred to the new owners. Existing legislation provides a detailed framework for the organization of new owners into cooperative or condominium associations, however, the existing legislation does not provide all of the authority for full legal recognition of the emerging cooperatives. The new draft housing code, which includes detailed condominium legislation, will correct the known deficiencies but is not scheduled to be adopted until mid 1995. In addition, no processing mechanism for titling and recording deeds on private property exists. This has not deterred the passing on of ownership of individual dwelling units at a commendable pace, however, little has been done to transfer the ownership of the common areas to the private sector. This mix of ownership and responsibility has resulted in a high level of frustration on the part of the private apartment owners who are demanding better maintenance and repair services to protect their property investment, and an equally vexing problem for cities who remain responsible for maintaining not only the common spaces, but are also responsible for providing property management and repairs services to privatized dwellings and non-privatized dwellings alike. The objective of the Program to Encourage the Formation of Resident Management Cooperatives is to encourage and assist in the formation of resident management associations who, through enabling legislation, and an intense program of training and mentor assistance, are empowered to assume some of the responsibilities of management and maintenance of their properties.

This paper is a description of the program from its evolution from a small grass-roots effort in Petropavlovsk to its becoming a nationally sanctioned program encouraged and supported by the republic, seven cities, and USAID. Attached to this report as exhibits are work products that can be replicated and used in establishing similar programs throughout the NIS missions. Recommendations and suggestions for enhancing the success of the project are also included.

¹ The seminar participants initiated a survey on the extent of privatization. The results are include as Exhibit G.

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I. INTRODUCTION

A. BACKGROUND²

Kazakhstan is the largest republic in Central Asia, as large as the Eastern United States, stretching from the Caspian Sea to the Chinese boarder. The country is sparsely populated with many of its nearly 17 million inhabitants located in and around its cities, the largest of which is the capital city of Almaty, with a population of 1.2 million. Most of Kazakhstan is arid land suitable for agriculture or sheep herding. A mineral rich country, Kazakhstan has captured the attention of western investors who see the wealth of natural resources and a relatively stable political environment as favorable to its long term economic prospects.

While the government and economy are still very much in transition, Kazakhstan has made significant inroads to privatizing its enterprises. Nearly 10,000 enterprises have undergone a transition in ownership with approximately one fourth becoming joint stock companies, and nearly an equal number becoming privately owned. Major international companies like Chevron, Philip Morris, RJR Nabisco, and Boeing have established a corporate presence in Kazakhstan. During the last several years the economy has contracted severely, as is the case in other former Soviet republics. Since the introduction of its own currency, the tenge, in December 1993, the value of the tenge has dropped from its original rate of 4.5 tenge to the U.S. dollar to the 1994 year end value of 53 tenge to the dollar. Inflation has caused numerous hardships for citizens and governments alike. In late 1994, the typical household income was 1,000 tenge a month. It is estimated that 80 percent of the average family's income is needed for food, and approximately 10 percent is required for housing.

Although nearly all of the housing has been privatized, the housing maintenance contributions paid to the city have remained the same for privatized owner and renter alike. Typically, the maintenance fee charged is between one-half to one tenge per square meter of living area. The residents pay separately for heat, water and sewer service, telephone and radio antenna charges.

B. THE SOVIET MODEL OF HOUSING MAINTENANCE

Prior to the privatization program initiated in 1991, virtually all apartments in Kazakhstan were either state owned or were owned by state owned enterprises. The enormous building boom of that existed from the 1950's to the introduction of *Perestroika* dramatically increased the inventory of state owned housing, while placing a staggering burden on the housing management and maintenance bureaucracy. The government policy of holding down the costs of maintenance paid by tenants, and the aging of what was at best, marginal construction, have left a legacy of neglected, and deteriorating housing that the newly independent republic must now address with sweeping reforms. A

²Excerpts from a welcoming report, US Embassy Kazakhstan, 1994.

presidential decree set forth the goal to privatize all of the housing by 1995. As 1994 nears an end, it would appear that the presidential goal will substantially be achieved, however, many of the complementary elements of a balanced and viable private housing market have not been achieved. Among the tasks currently underway but still not fully implemented are the establishment of a mortgage lending banking system, a system of deed and title recordation, a rental assistance program for at risk low income families and special need populations, a system of transferring ownership of the residential common areas, and lastly, the focus of this paper, a system of establishing legally recognized cooperative owners' associations capable of assuming full ownership and responsibility for the entire property.

C. PRIVATE MAINTENANCE PROJECT IN ALMATY

During the summer of 1994, ICMA assisted the Republic of Kazakhstan's, Ministry of Housing, Construction and Territorial Development, undertake a demonstration program in the city of Almaty to determine the feasibility of using private contractors to perform maintenance and simple repair duties on residential buildings.³ A cluster of 835 apartment units in 15 high-rise buildings was selected. ICMA conducted a training program for republic and city officials and provided assistance in the preparation of contract and bidding documents. Funding for the demonstration came from the rents collected from the residential units, the commercial rents and a special grant of 1,000,000 tenge from the republic. The demonstration project was promoted through paid advertisements in the local newspapers and as a non-sponsored feature of a weekly business program on a local television station. An open pre-bid conference was held with ten potential contractors in attendance. During the pre-bid conference an invitation was extended to attend a cost estimating seminar designed to assist potential bidders in understanding the detail steps in preparing a cost estimate and contract proposal. Five contractors submitted sealed bids and the contract was awarded to a private contractor in August of 1994.

The large scale privatization of maintenance project fell short of its goal for a variety of reasons, among which are: a failure to involve the residents in planning for, and participating in the experiment; unanticipated, oppressive taxes imposed on the contractor; and a scope of service that was too broad and open to dispute. Additional troubling problems were the inability to obtain from the city, an accurate budget to guide the bidding process, and the lack of a accurate estimate of the cost of the project coupled with a project site that was too large and containing and excessive amount of deferred maintenance items to effect a significant change in the appearance of the community or provide an acceptable test of the privatization of maintenance effort within the constraints of local decision making, and the time allocated for the demonstration.

The Almaty demonstration was successful in demonstrating several valuable lessons, three of which were important to changing the direction of privatization of maintenance in Kazakhstan. The first lesson learned was that any significant change in the operation of housing must involve the residents in all stages of discussion, planning and implementation. Secondly, the

³ For a detailed discussion of the Almaty privatization of housing demonstration project, consult ICMA project report 110-0008 task order No. 51.

transfer of maintenance responsibilities from the cities to the resident owners must be done in very small steps preceded by intense training of all parties involved: the residents, the government officials, and the private contractors. Thirdly, the Almaty experiment demonstrated the importance of planning for intense, close personal involvement of mentors to help residents, and contractors alike assume the responsibilities and reap the rewards of empowerment and self-sufficiency.

II. PRE-TRAINING PHASE

A. THE DEVELOPMENT OF THE PROGRAM

Following the Petropavlovsk seminar, the ICMA advisor met with representatives of the Ministry of Construction, Housing and Territorial Development, *Ministroi*, along with representatives of the State Communal Housing Concern, the *Kazzhilkomkhoz*, and developed a jointly sponsored four phase program to encourage the formation of cooperative associations in privatized apartment complexes. The four phases are: a training workshop to be held in the capital city of Almaty; a specific number of tasks that the cities must accomplish within thirty days following the workshop; a series of site visits to be made by ICMA staff to assist cities in implementing the program; the possible creation of a national, independent, non-governmental, non-profit organization to provide ongoing support to cities and the residents on the program and other housing related issues. This paper will deal with the first phase of the program, the introductory workshop held in Almaty on December 8-9, 1994.

Participation in the workshop was by invitation to ten cities that attended the Petropavlovsk seminar. The targeted cities were Chimkent, Semipalatinsk, Kokchetau, Karaganda, Atyrau, Petropavlovsk, Pavlodar, Djambul, Kustanai, and Almaty. The city of Bishkek, Kyrgyzstan also served by ICMA via a separate city-based mission office, asked to attend and was encouraged to do so. In addition, the city of Taldykurgan heard about the project seminar, and although not part of the original list, asked to join in the seminar. In order to provide the necessary mentors and staff support, it was decided that the first phase of the program would be limited to five or six cities who have indicated a strong commitment to the program.

B. CITY COMMITMENTS TO THE PROGRAM ARE REQUESTED

In November a letter jointly signed by ICMA, the *Ministroi*, and the *Kazzhilkomkhoz* was sent to the targeted cities asked that they contact ICMA to express their interest in participating⁴. To further assure that there was more than a passing interest, ICMA asked the cities to sign an agreement and return the completed document to ICMA by the date set forth in the letter. The cities of Chimkent, Semipalatinsk, Kocheao, Karaganda, Atyrau, Pavlodar, Taldykurgan, and Bishkek signed the agreements to participate the program. Bishkek and Taldykurgan were late approvals and could not complete the questionnaire in time for the workshop. Petropavlovsk was slow in gaining a commitment from the city administration to permit the timely submission of the

⁴ See Exhibit A

⁵ See Exhibit B

paperwork, and later decided to send a single representative who was directly involved in the city's cooperative program. In executing the agreement, the cities were identifying the names and positions held by workshop participants in four specific areas: mayor, or deputy mayor assigned to housing matters; the local official responsible for the registration of legal entities such as cooperative associations; one or two housing maintenance specialists; and, one or two individuals to be trained to assume the new position of resident services coordinator.

III. TRAINING PHASE--DAY ONE OF THE SEMINAR PLENARY SESSION

A. The Format Of The Workshop

The two day workshop was designed to involve the participants into several working sessions in an effort to encourage a team effort to the development of practical solutions to problems of implementation and documentation of the program. The number of lectures was held to a minimum in order to maximize the time available for the small group sessions. A outline for the workshop was developed, speakers invited, staff assignments made and workshop handout materials produced in English and Russian. Copies of the overheads used in the plenary sessions are included with this report and are also available in Russian from ICMA. Vladimir Zhurin, head of the Kazzhilkomkhoz assumed the responsibilities for the physical arrangements for the workshop, and ICMA and the participating cities own him a debt of gratitude for his attention to detail and his willingness to give the full attention of his office to the success of the workshop.

B. Welcoming Remarks

On Thursday December 8, 1994, a day on which the republic was without gas service, where those homes not on the central heating plant were as nearly cold as the -10 Celsius day. A day on which the central heating plant cut back on heating around midday, and the hotel greeted the morning without cold water, approximately 50 people including representatives from seven cities met for the start of a two day workshop, held at the central offices of the Kazzhilkomkhoz in Almaty, Kazakhstan, to discuss methods of empowering the citizens to assume responsibility for the maintenance of their homes.

The lead off speaker, U.S. Ambassador to Kazakhstan, William Courtney, was delayed in arriving, which gave the Chairman of the Kazakh State Concern of Housing and Municipal Services, Kazzhilkomkhoz, Gaziz Khalykovich, an opportunity to offer his welcome and to inform the cities gathered that their will soon be a dramatic increase levied on the heating tariffs throughout the republic. The reason for the increase was the huge amount of losses that were being experienced by the republic and the need to transfer the real costs of providing hot water heat via the government owned central heating system to the residents. The change will virtually eliminate the current practice of subsidizing the cost of providing the heating.

⁶ See Exhibit H.

When the ambassador arrived he addressed the assembly in Russian emphasizing the importance of the workshop in fulfilling the President Nazarbayev's decree on the privatization of housing and its goal that apartment owners should carry the full responsibilities of maintenance. He stated how pleased he was that the workshop to encourage the formation of cooperatives was being held. He acknowledged that there are 20 cooperatives currently in operation in Almaty, and expressed his appreciation to USAID and ICMA for their support in seeking solutions to these important problems through the formation of independent resident management associations which he acknowledged are important features of democracy and the new economy. He admonished the city representatives to be responsive to the residents, and said that the owners who chose to form cooperatives and take on some of the responsibility for maintenance are contributing to the democracy of Kazakhstan.

The ambassador was followed by Gaziz Khalykovich, who stated that the financial condition of the Kazzhilkomkhoz and the poor condition of the buildings throughout the republic demands immediate attention, and are the very concerns that prompted their joint sponsorship of the seminar. He acknowledged the successes in establishing cooperatives in Petropavlovsk and emphasized that this is indeed a workshop, the city representatives will be actively involved, and the participants will be given the tools necessary to go back to their respective cities and begin the task of encouraging the formation of resident management cooperatives. He discussed the Almaty maintenance demonstration describing it as an experiment in having the city contract for private maintenance services. He said that with 73 percent of all of the housing throughout the republic in private ownership, with the remaining 27 percent owned by ministries and commercial manufacturing enterprises, that it is time to acknowledge that the republic and the cities cannot maintain the dwellings any longer. He stressed that under the current system of maintenance tariffs, only 38 percent of what it actually cost to maintain the dwellings is paid by the residents and the government can no longer subsidize the short-fall.

The next speaker was Patricia Buckles, the Deputy Director of the USAID mission in Almaty, who acknowledged the workshop as a new initiative providing advice and technical assistance to help the residents and the government officials take one more step in implementing President Nazarbayev's national housing policy. She acknowledged that the role of the resident management cooperatives will be pivotal to the future of Kazakhstan, and the workshop will provide the tools necessary to move real estate operations to a market based system.

In offering his welcoming remarks, Eric Ozoling, head of the Department Of Civilian Housing Production and Engineering Systems within the Ministry, confronted the reality that moving the housing sector to a self supporting market system is the most difficult and painful of all of the new reforms. He briefly discussed the merits he saw in the American system of using private property management firms to handle the complicated business of property

⁷ Although resident management association is the preferred term, difficulties in providing an acceptable translation into the Russian language required the use of resident management cooperatives throughout this paper. The Russian text will use the Russian language equivalent of the English--"housing cooperatives."

management and maintenance. He stated that there are two major problems, the first being the current financial problems in Kazakhstan and the second being the perpetuation of a housing maintenance philosophy that is still that of the Soviet housing system whereby no relationship exists between the ownership of an apartment unit and any responsibility on the part of the residents to the maintenance of the common areas. He challenged the attendees to work to change the national housing malaise, to overcome their stereotypes and change the old housing philosophy for the common good.

C. A PRESENTATION ON THE OVERVIEW OF THE WORKSHOP

A presentation was given by Vladimir Belayanin, ICMA project coordinator, on the general concept of resident management including a discussion of the condominium model and the project's resident management cooperative model. The presentation outlined the legal basis for the cooperatives and provided an update on the status of the condominium legislation currently under review at the republic. Belayanin was careful to limit the amount of support that ICMA could provide to the cities and blasts to advice, clerical and limited technical assistance and possibly communication links via E Mail. He stated that ICMA will not be providing grants or subsidies to the governments or the residents to operate the cooperative programs.

Belayanin restated the goals and objectives of the workshop and described the program for the two day seminar. He defined the term resident management cooperative as a term used to describe a group of residents who form an association under Article 21 of the Housing Code of the Republic of Kazakhstan, to assume the responsibility for the management and maintenance of their building. He stated that the new draft housing code of the republic uses the term "condominium association" instead of the term "cooperative of apartment owners" as contained in the current housing code. When the new housing code is adopted the concept of associations will be anchored more firmly in law and more readily accepted.

D. A PRESENTATION ON THE BASICS OF THE COOPERATIVE MODEL

Another ICMA project coordinator, Olga Kim provided an outline of the proposed cooperative model presenting the goals of the project, delineating the role of the office of the mayor or deputy mayor for housing, the role of the city maintenance organization, the role of the resident association, and the role of the entity responsible for recordation of the housing cooperatives legal papers. Kim stated that the residents can come together, form a cooperative and pay money to the cooperative which in turn, hires contractors or employees to maintain the buildings and grounds. The general structure of the cooperative would be a general assembly which would be a gathering of all of the members of the cooperative acting similar to a stock holders meeting. The members would then elect an executive committee, and an auditing committee. The cooperative would appoint a volunteer member to serve as property manager, or could hire either a cooperative member or an outside professional. The executive committee could also create other committees could be created as necessary. Kim explained that the major responsibility of the resident management cooperative will be the protection of the investment of the owners and the enhancement of the value of the property. Secondary responsibilities are the provision for the physical maintenance and operation of the building, the careful use of the cooperatives funds, and the ability to

collect fees from individual residents for such services as utilities, and pay for the services directly to the city, or in the case of gas, at the well head. Among the tasks that have to be negotiated between the city and the cooperative are the segregation of maintenance responsibilities. The cooperative should be responsible for current repairs, emergency repairs, refuse and litter disposal into containers for city pick-up, janitorial services, grounds keeping and selective preventive maintenance. The city should remain responsible for capital repairs, communal services, repairs to the utility systems and refuse pick-up from the property. The cooperative may chose to use volunteers to manage the cooperative, hire residents or an outside professional management firm. Among the factors governing the type of management chosen by the cooperative are the number of apartments in the cooperative, the physical features of the premises such as the presence of commercial operations, large open yard areas. The types of services the cooperative chooses to provide to the members, the financial resources available, and the skill level of the residents and the time they are will to devote to management duties all will affect the choice of property management chosen by the cooperative.

The duties of the executive committee are: financial planning and budgeting, accounting, collecting the monthly contributions for assessments and fees, the management of the premises; and the establishment of policies such as personnel, grievance procedures, delinquency penalties, entry rights and others as deemed necessary. The fees that will be paid to the cooperative will initially be the same fees currently being paid by the residents to the city for maintenance services. Eventually, the resident management cooperative should be granted the authority to set its own budget and maintain its own funds. The regulations governing the cooperative are essentially the existing and future laws of the Republic of Kazakhstan, and the bylaws of the cooperative. Each member of the resident management cooperative will be encouraged to become involved, and at a minimum they will be urged to attend the general assembly and vote for the officers as well as act on issues affecting the cooperative. Each member is expected to pay the monthly cooperative fee assessments, and if so interested become active in committees that maybe established by the cooperative.

E. A PRESENTATION ON THE DIFFICULT ISSUES AND INCENTIVES

Richard Gaynor, ICMA resident advisor, discussed some of the difficult questions and problems that should be anticipated in encouraging the establishment of resident management cooperatives. Gaynor discussed the Petropavlovsk cooperative program noting that in a single cooperative of eight buildings, the onetenge per square meter maintenance assessment that was once collected by the city maintenance department and which is now provided to the cooperative, generates 22,000tenge per month (\$415 at current exchange rates). This is enough money to hire the maintenance personnel to provide a higher level of maintenance services than were previously provided by the city. With the combined maintenance fees paid by the residents, the cooperative has hired three janitors for 2,100tenge per month (\$40), one part-time electrician at 1,800tenge per month (\$34), and is paying the resident chairperson of the cooperative 2,000 per month (\$38). This leaves 16,100 tenge per month (\$304) available for capital repairs, or for whatever the cooperative chooses to do to improve the premises. Gaynor stated that of the 1,500 resident members of the Petropavlovsk cooperative, only 30 are not paying the assessments. Enforcement remains a difficult issue under

Kazakhstani law which does not give the cooperatives any extraordinary enforcement mechanisms. As a result, cooperatives are forced to use social pressure or the threat of litigation against defaulting members.

F. COMMENTS ON THE PETROPAVLOVSK EXPERIENCE

Yuri Liporoy, an attorney actively involved in the cooperative effort in Petropavlovsk, gave a presentation on his experience in forming and operating a housing management cooperative. Two difficult issues confronted the formation of the resident association. The first being that they were the first resident cooperative owner's association in the city, and it took awhile for the residents and the officials to accept a different form of ownership and management. The second issue addressed the difficulties encountered in transferring the policies and procedures of the huge state housing organization into a small version of the maintenance and management functions affecting only their cooperative. Among the problems encountered was the realization that under Article 21 of the housing code, nothing really changed for the cooperative. Under the law, they really did not become real owners, with all the rights of ownership. What emerged were two perceptions of ownership of the resident management cooperatives, an economic perception factor and a psychological factor. Under the cooperative arrangement, all owners developed the feeling of being real owners. They did not concern themselves about the legal issues and assumed the perception that "their home is their castle."

When the cooperative was formed in 1993, no legal authority existed for the establishment of housing cooperatives. Article 21 of the housing code provides a legal basis for the cooperatives, but lacks specifics causing some problems in the legal recognition of the cooperative form of ownership and maintenance of housing. Furthermore, the presidential housing decree which Liporoy hailed as a revolutionary act, did not provide any mechanism to legalize resident management housing cooperatives.

Among the obstacles that had to be confronted were the massive budget deficits of the government, and the indifference of residents to the condition of their buildings. The residents, in acquiring a sense of true ownership, expected others, government officials and neighbors alike, to view them as true owners as well. A resolution of the city became necessary in order to gain the status and recognition of ownership, and a committee was formed to develop the issues and proposed regulations. Draft documents were developed in March 1993 with all residents of the cooperative participating. In May 1994, the city adopted the resolution, which was stated in very general terms but provided the government support and encouragement to develop the process of forming and legally registering resident management cooperatives. On May 12, 1994, the group of privatized owners officially became the first resident management cooperative in Petropavlovsk, and possibly in all of Kazakhstan.

In Petropavlovsk three documents, the bylaws, the opinion on the legal status of the cooperation, and the registration fee are the only items required to register the resident management cooperative. If needed, the copies of the two city resolutions may also be asked for by the registration agent.⁸ The initial process did not go smoothly. The notary public took the

⁸ Copies of the model bylaws and the Petropavlovsk resolution are included as Exhibit C.

position that the documents as presented did not follow established form, and considerable time was spent getting the notary to accept the documents that looked different from other documents notaries were accustomed to processing. Another problem of a legal nature was the status of the cooperative in the eyes of the arbitration court. Under the Kazakhstani legal system, legal entities can appear before the court to settle such matters as financial disputes. The court determined that resident management cooperatives were not in conformity with the Ministry Of Justice standards, and that changes in the legislation affecting resident management cooperatives will have to be made in order to have a court recognized right to register cooperatives in the future. Another problem area that will require additional legal and legislative work deals with the economic issues of the cooperative and the laws on taxation. Initially the opinions stated that resident management cooperatives could be formed as an economic activity. The partnership status assigned to the cooperatives required that they pay taxes as a business venture. The argument was proposed that if the sole economic duties of the cooperative are that of collecting fees from the residents and the paying of bills on their behalf, the cooperative should be exempt from taxation. Although more legally palatable, this limitation would severely restrict the ability of cooperatives to raise needed money to expand the level of maintenance and provide other social services. The ability to rent space for commercial purposes and the ability to offer acquired skills and personnel to other similar entities are some of the examples of revenue generating functions that could be undertaken by the cooperative to raise funds and create jobs.

Among the incentives that the Petropavlovsk experience has shown was the need to level the playing field by privatizing the remaining housing currently held by state entities. The state owned housing enjoys special benefits such as free or reduced rate utilities and priority treatment for capital repairs that serves as a disincentive to privatization. Secondly, most residents are reluctant to assume full ownership responsibly for the common areas of buildings when there are so many deferred maintenance items that require correction. It was suggested that the state perform the needed capital repairs prior to the transfer of ownership, and then the residents would be more willing to assume the responsibility for capital repairs in the future, but initially would still expect some sort of a subsidy to help in the transition.

By November of 1994, the city of Petropavlovsk had registered 20 cooperatives. During the first week of December, the city ~~was~~ ^{city} ~~likhat~~, (council) in discussing the need to privatize the hostels, stated that the level of cooperative formation was unsatisfactory, and as a result, a resolution was adopted instructing the city administration and the ~~khomkoz~~ ^{khomkoz} to accelerate the registration of cooperatives.

IV. TRAINING PHASE--DAY ONE OF THE WORKSHOP SMALL JOB TASK GROUPS MEET

A. THE PARTICIPANTS WITH SIMILAR JOB TASKS
MEET IN SMALL GROUPS

The job task groups were comprised of the workshop participants from the seven participating cities clustered together around their current job description, of the tasks that they will assume in implementing the resident management program in their respective cities. The job tasks are: Mayors or deputy mayor in charge of maintenance, specialists within the city knowledgeable about the requirements and procedures for registering legal entities, knowledgeable representatives from the city housing maintenance department, candidates for additional training as resident services coordinators. Each group met for two hours and discussed among their peers the concepts presented in the workshop thus far, and then proceeded to discuss a series of questions designed to stimulate and focus the discussion on key points of the program specific to their job task.

B. REPORTS FROM JOB TASK GROUPS

A spokes person from each group was selected and reported out to a gathering of the participants. A summary of the reports follows.

1. Mayors/Deputy Mayors.

The report was given by Kasbek Omarov, Deputy Mayor of Pavlodar. Omarov said the group of mayors concluded that the cities could benefit from the resident management cooperative program. He stated that it is well known that due to budget restraints, the cities cannot maintain the properties. He stated that if the residents would assume the responsibility for maintaining there own properties it would remove a tremendous burden from the cities. It follows therefore, that the cities should take all appropriate measures to encourage the formation of resident management cooperatives, and should promptly adopt the enabling resolution and offer a variety of incentives to accomplish the task.

2. Registration Specialists

Yuri Liporoy, an attorney from Petropavlovsk gave the presentation for the group. He reported that his group determined that the city registration agents should not "approve" the formation of the cooperatives, but should only establish the official record. He listed the documents that are necessary in order to complete the registration as, the resolution of the executive committee establishing the cooperative, the bylaws of the cooperative, a completed city registration application form, a copy of the enabling resolution of the city, and the registration fee, which the group suggested should be approximately 20@enge.

The registration certificate issued by the city should be a uniform document recognized and valid throughout the republic. It was suggested that the Ministry of Justice develop the certificate and promulgate it throughout Kazakhstan. The group determined that the registration function be a part of the routine city administrative functions.

Liporoy reported that in addition to registering the cooperative the established process should include the registration of the cooperative as a tax exempt entity with the Tax Inspect orate. The registration process should include the opening of the cooperatives bank account and should be given its own seal. The group proposed that those cooperative which do not have the funds to open the charter bank account should be allowed to open their bank accounts without the payment of a fee. The group went on to suggest that the cooperatives not be charged for opening their charter account.

3. Maintenance Specialists

The report of the city maintenance specialists was given by Vladimir Korobkin, from Semipalatinsk. He reported that the group recommended that the city maintain control oversight on all maintenance by establishing standards and requirements that must be met by apartment owners forming a cooperative.

Korobkin stated that the group cautioned that when making a decision concerning the amount of resident contributions that should be assessed by the cooperatives, they should not repeat a mistake that some cooperatives in Semipalatinsk have made. It is very attractive to ask the residents to only pay the cooperative the amount that they were paying to the city for maintenance fees. However, if the amount is not enough to cover the maintenance cost, as was the case in Semipalatinsk where the cooperative members were asked to pay a monthly assessment of one tenge per square meter of apartment area, while the true cost of maintenance that the city was expending for less than adequate service was 3.68 tenge per square meter. He went on to say that once the lower fees have been established for a cooperative, it is very difficult or even impossible for the chairperson of the cooperative to persuade the general assembly to pay more. In the Semipalatinsk experience, a short fall of 1.2 tenge per square meter of apartment space per month.

The group went on to recommend that it may be necessary to create a city association to protect the rights of resident management cooperatives. The name Association Of All Apartment Owners was suggested. The group felt that the association should be strong enough to lobby in the Parliament.

4. Resident Services Coordinators

The report of the resident services coordinators was given by Galina Marusseeva, from Taldykurgan, who reported on four areas of discussion. Firstly, the group recommended that residents be informed about the resident management cooperative program through television, radio newspapers and also through personal meetings of the members of the city administration. Secondly, in discussing on how best to identify buildings where cooperatives would be well received, the group suggested identifying buildings that are well organized and have interested residents who are willing to devote

the effort necessary to improve their living conditions. They would choose a newer building, preferably with some space for commercial use, and having a basement for use by the residents. The selected buildings should be laid out in a compact manner.

Thirdly, among the short term tasks the cooperative could undertake are the steps to be taken to legally form the cooperative, and the preliminary steps to identify work items, select contractors and prepare contract documents. The first repairs should address the stairwells and doorways, the playgrounds, landscaping concerns and security measures. The cooperative should also take measures early on to assure a timely payment of the monthly cooperative fees.

Lastly, the long term goals for the cooperatives should include the assumption of the responsibility for capital repairs, and the creation of the legal basis for the cooperative.

V. TRAINING PHASE--DAY TWO OF The Workshop PLENARY SESSION

A PRESENTATION ON THE BASICS OF GETTING STARTED

An overview of the basic of formation of a resident management cooperative was presented by Michael EKucharzak, a short-term advisor under contractor to ICMA, and the principal author of this paper. The presentation was intended to start the second day of the workshop by pulling together key points from the first day and providing a transition into the breakout session by cities that would immediately follow. By way of introduction, the analogy of creating a road map for a set destination was used by posing the questions: where are we going? How are we going to get there? What is our time line? Do we have enough energy for the task? In addressing the questions posed, the participants were reminded of the presidential decree on the privatization of the housing stock, which for most of Kazakhstan is substantially complete, but that the next phase of privatization, that of the assumption of the ownership, and maintenance of all aspects of the property must still be fulfilled, and is the basis of the movement to form resident management cooperatives.

Kucharzak stated that the residents would succeed or fail in their privatization efforts depending on the local administration's leadership and commitment evidenced by the local government leaders. The participants were reminded that before they, as government officials could help organize residents, they must first organize themselves. Kucharzak emphasized to the deputy mayors present that the level of leadership given to this program emanates from their offices and to the direction they give to their staffs. The specific tasks that must be accomplished were enumerated as follows: Firstly, measures must be taken to develop a publicity campaign. ICMA will provide a publicity video at no cost to each city. Secondly, each city must provide a local legal review of the sample resolution establishing the local enabling legislation to permit the formation of resident management cooperatives. The adoption of this resolution is expected within 30 days following the workshop, and executed copies are to be sent to the Almaty ICMA office. Thirdly, the cities are to identify and commit funding and

administrative support to the program. Fourth, the government officials shall take whatever measures are necessary to eliminate delays and red tape that will slow down the registration of the cooperatives. Fifth, the cities are to establish a plan so that once the publicity program is initiated and the legislative measures enacted, residents inquiring about the program will be given accurate, prompt information and assistance by a helpful, welcoming staff. Sixth, the cities are being asked to estimate a time by which they estimate they will be prepared to invite the ICMA site visit team to visit their city and provide additional technical assistance. The six points outlined above were incorporated into a series of discussion provoking questions that each city team was asked to complete at the close of this session.

A presentation on the basic principles and practices of community organization was provided emphasizing the need to work with residents with issues that are important to them, not necessarily the city's agenda of concerns. It was stressed that it is important to identify areas of concern that can readily be formulated into a problem solving task that will quickly product positive results and a feeling of success and well being on the part of the residents. A survey instrument was suggested as a means to determine the concerns and to enable the resident services coordinators to meet the residents and begin identifying the potential leadership. It was suggested that the resident services coordinators who will be doing the community organization not take on the concerns about the lack of basic utility services plaguing the country, for that is an example of a task beyond the ability of a cooperative to solve, but rather, deal with resident spoken concerns such as safety or the cleanliness of the stairways as two examples of what could be addressed and dealt with quickly, and with limited financial resources. After a series of short-term goal successes, and the identification of the leadership in the cooperative, the resident services coordinator should work with the cooperative in establishing long term goals as well, being mindful to set realistic timetables for completion. The need to focus on the positive aspects of living within the cooperative premises must also be emphasized to reinforce the positives while working to improve the living environment.

VI. TRAINING PHASE--DAY TWO OF THE WORKSHOP THE CITY WORKING GROUPS MEET

A. THE STRUCTURE OF THE WORKING GROUPS

The six cities met with the members of their delegation of two hours to answer the seven questions⁹ designed to stimulate the thought process and in effect, take the first steps toward forming resident management cooperatives. The cities were physically separated to provide for easy discussion and facilitate independent decision making. An ICMA staff person or advisor was assigned to each city to serve as a resource person to assist the groups in their deliberations. All of the cities except Atyrau moved easily into the assignment. The Atyrau delegation was slow in starting and had one member reading a local weekly paper for a portion of the time and another member making phone calls. All of the groups finished the first three questions

⁹ A copy of the questionnaire is included as Exhibit E.

ahead of schedule and were offered an opportunity for a tea/smoking break while we awaited the copies of additional questions that were being translated from English to Russian and copied at the ICMA offices that morning. Only Atyrau took a break with the remaining cities preferring to review their work on the first three questions, or receive an oral translation of the next question from their assigned resource person. The next set of questions arrived within minutes of the announced break and all of the cities except Atyrau moved right into a discussion of the materials. Atyrau never returned from their break, and as will be revealed, only addressed the first four questions. The responses provided below are from notes taken during the oral briefing, and because they are summary responses to set questions, are often quite brief. The following is a listing of the seven questions and each cities responses:

B. RESPONSES TO THE QUESTIONNAIRE ON WHAT IS EXPECTED ONCE YOU RETURN HOME

1. Adopt The Necessary Enabling Resolutions.

a). Who Will Be Responsible For Drafting The Resolution?

ATYRAU

The city administration and the coordinator will be responsible.

KARAGANDA

The city administration should develop and adopt the resolution. In Karaganda, approximately 25 percent of the housing is owned by the state or state owned enterprises. There are about five or six unfinished buildings in each of the five maintenance districts.

PAVLODAR

The utilities services and oblast administration will draft the resolution.

SEMIPALATINSK

The Resolution authorizing the formation of resident management cooperative has been developed under the current terminology, the cooperatives of apartment owners (KSK) has been developed by the working group on the transformation of the system of housing maintenance and approved by the decision of the oblast administration authorizing the formation of resident management cooperatives. The representative then made a general statement that Semipalatinsk has already started on the cooperative effort, and little new was gained from the seminar.

TALDYKURGAN

The Resolution was adopted by the oblast administration on October 12, 1994. Mr. Rusinov, deputy head of the oblast administration will supervise the implementation of the Resolution. The presenter then used the opportunity to share his experiences with the participants.

We have been working on the issue of cooperatives for five or six months. Problem is that residents are afraid of establishing cooperatives for fear that their assessments for services will increase. We suggest that thirty percent of a households income should be used to pay for housing costs. Needy families, those earning 750Tenge or less should pay 20 percent of their income for housing. This should be established as a regulation of the oblast. It is difficult to convince people that they own their own apartments. Before the units were privatized, each year at this time, using local city funds, we installed doors, windows and new window frames, now it is difficult to get the owners to understand that the whole building is theirs to maintain. They are not willing to pay, and not willing to be responsible for the repairs.

There is a need to evaluate the costs assessed for maintenance and utilities. We need to question the assessment of the same costs for older buildings and new buildings. The occupants of older buildings suffer more and need more repair attention. Conservation measures should be introduced. We should install meters for all utilities. People are questioning why, when they leave for work at 8:00 A.M. each day should they pay the same utility assessments as do their neighbors who are home all day. He stated, "nobody in our country is responsible for the waste of utilities." A gas meter costs only \$55, however, the quality of the gas is so erratic that a meter will not record accurately.

CHIMKENT

The city administration will be responsible for adopting the resolutions. We see the formation of resident management cooperatives as the second step in the privatization effort. Owners must realize that they really are owners.

b).What Contacts And Meetings Will Have To Be Scheduled
And Held Prior To The Introduction Of The Resolution?

ATYRAU

Contacts with residents, cooperative members

KARAGANDA

The city administration will schedule a meeting with rayon administrations, city housing maintenance officials (including those responsible for maintenance of the housing stock of enterprises) and members of the housing construction cooperatives in order to develop the necessary resolutions

PAVLODAR

We see the formation of resident management cooperative as the second stage of privatization. We plan to schedule meetings with the representatives of rayon administrations, city housing maintenance officials, and the chiefs of each stairwell in the buildings. Based on the results of the discussions, we plan on forming a city committee that will develop a draft resolution. We will hold a similar local workshop on the project. We plan to inform the general public about the resolution through the mass media (radio, newspapers) and to hold a live TV broadcast of a round table discussion where residents may voice their opinion.

SEMIPALATINSK

We plan to study the experience of other cities, and to arrange meetings with city residents, legal specialists, economists, and other experts.

TALDYKURGAN

Seminars and conferences with rayon administration, as well as 126 meetings with residents have been held prior to the implementation of the Resolution

CHIMKENT

We plan to hold meetings with residents in an effort to try and persuade them to voluntarily form resident management cooperatives.

2. During The Month Following The Seminar, Advertise For Resident Participation.

a). How Will We Advertise The Program?

ATYRAU

By using radio, TV and the press

KARAGANDA

We plan on utilizing the mass media (the press, radio, TV), during meetings with residents of the micro districts. We also plan on making informational contacts with those residents who express an interest in wanting to manage their own housing

PAVLODAR

The city committee will be responsible for utilizing radio, TV, and the newspapers to disseminate information on the program. We also plan to have the city committee schedule meetings with residents.

SEMIPALATINSK

We will promote the program using all means available: TV, radio, and the press. Direct contacts with the residents will be made by city officials.

TALDYKURGAN

TV, radio, the press will be utilized to promote the program.

CHIMKENT

We will utilize every way we can of informing the public and providing necessary information.

b). What Techniques Will We Use?

ATYRAU

No answer

KARAGANDA

We will use all mass media and meetings with the people in the maintenance districts.

PAVLODAR

Mass media and meetings with the residents. We will also conduct a similar seminar.

SEMIPALATINSK

Not specified (the city is already operating a cooperative program).

TALDYKURGAN

We will use TV commercials; interviews by the mass media with the housing maintenance officials regarding the program.

CHIMKENT

We will utilize the press, TV, and radio.

c). Who Will Be Responsible For This Task?

ATYRAU

The city administration's, maintenance department will be responsible.

KARAGANDA

The maintenance administrations under supervision of the city administration will be responsible.

PAVLODAR

The city committee formed for this program will be responsible.

SEMIPALATINSK

The press-secretary of the city administration.

TALDYKURGAN

Mr. Kolupayev, deputy head of the city administration.

CHIMKENT

The city repairs persons will be responsible.

3. Staffing Commitments Are An Important Aspect Of The Program, And A Key To The Success Of The Cooperative Effort.

a). Discuss How You Will Identify, Select And/Or Hire Capable People To Serve As Resident Services Coordinators. Give Specifics As To Skills You Will Seek In The Individuals You Will Hire.

ATYRAU

We will invite all those interested in this job to apply.

KARAGANDA

Firstly, we will identify people who are interested in this work. Secondly, we will select those who know the situation in their rayon from within. The selected people should have good managerial and communication skills, and sociable. We will look for a specialist in privatization, but are most interested in someone who has good organizational linkages

PAVLODAR

Not specified

SEMIPALATINSK

Not specified

TALDYKURGAN

In selecting employees for this position, preference will be given to those who worked or are still working in the housing maintenance offices

CHIMKENT

Among the skills we will be looking for are competency, an ability to communicate accurately and well, professionalism, and a charming personality.

b).How Many Resident Services Coordinators Do You Plan On Hiring Or Identifying In 1995?

ATYRAU

Five.

KARAGANDA

We plan on hiring one coordinator at the city level, and one or two coordinators, if needed, in each of the five maintenance districts of the city,

PAVLODAR

We plan on hiring ten resident services coordinators for each maintenance district.

SEMIPALATINSK

We plan on hiring 30 people for the project.

TALDYKURGAN

We will hire 15 coordinators.

CHIMKENT

Approximately 12 to 15 people will be hired.

c). Who Will The Resident Services Coordinators Report To?

ATYRAU

They will report to the city maintenance agency.

KARAGANDA

It will depend on who hires the resident services coordinators if the city hires the staff, then they report to the city or on administrations. If the cooperative hires the staff, then they report to the cooperative.

PAVLODAR

The city committee formed for the project.

SEMIPALATINSK

The resident services coordinators will report to the city housing maintenance department and the city administration.

TALDYKURGAN

The city housing maintenance association.

CHIMKENT

The city housing maintenance department.

d). If Paid, How Will They Be Paid (source of funds)?

ATYRAU

They will be paid by the city maintenance agency.

KARAGANDA

Regardless whether the city or the cooperative hires the coordinators, they should be on the state budget.

PAVLODAR

The city budget will pay the salaries. Once a week a report from the committee on the program will be given to the city council.

SEMIPALATINSK

The city budget will provide the funds.

TALDYKURGAN

The city administration will fund the positions.

CHIMKENT

The city budget will be initially be used. The city will have to find the money.

e). What Other City Resources Will Be Provided To The Resident Services Coordinator Staff And The Registration Office?

ATYRAU

No answer

KARAGANDA

We already have a data base available on the cost of maintenance, and will make the date available. In addition, we will provide office space, computers, other funds, and telephones and other communication assistance.

PAVLODAR

We currently are providing our coordinators with all kinds of needed support.

SEMIPALATINSK

We will provide all resources that are necessary to facilitate the work of the coordinators.

TALDYKURGAN

We will provide transportation whenever necessary, the possibility to use the local newspaper, TV, and radio for advertising the program, and additional payment to those coordinators who are intensively working and successfully forming the cooperatives of apartment owners.

CHIMKENT

No answer

4. A system of recording the cooperation agreements and the bylaws will have to be developed.

a). Who Will Be Assigned To Performing The Review Of The Model Bylaws, And Developing A Draft Suitable For Adoption As The Cities Model Cooperative Bylaws?

ATYRAU

No answer.

KARAGANDA

The legal department of the city administration in coordination with the *oblast* department of justice will provide the review.

PAVLODAR

Upon making a decision about the formation of the cooperative of apartment owners by the general assembly of the residents (51% of the voters and more), the city committee will provide the model bylaws and the procedure for its approval and registration.

SEMIPALATINSK

The city administration will review the documents.

TALDYKURGAN

The Bylaws have already been approved and adopted.

CHIMKENT

The review will be performed by the city housing maintenance authorities.

b). Will We Charge For The Recordation Of The Cooperative Documents, And If So, How Much Will We Charge?

ATYRAU

No answer.

KARAGANDA

Yes, we will charge a fee the amount of which will be determined based on a calculation of the expenses involved.

PAVLODAR

We will calculate and charge a "symbolic fee."

SEMIPALATINSK

Yes, we will assess a fee. We will determine the amount based on the costs.

TALDYKURGAN

We will charge a fee of 50tenge.

CHIMKENT

We plan to charge a minimal, token fee.

c). What Measures Will We Take To Assure That The Documents Presented For Recordation Are Given A Prompt Review And Recordation? What Do You Consider A Timely Review And Recordation Period?

ATYRAU

No answer.

KARAGANDA

We will take the necessary measures to eliminate delays and hardships associated with processing the registration materials. Once operational, the recordation process will be completed within 15 days.

PAVLODAR

We will complete the registration of the cooperative within one week following the filing of the application.

SEMIPALATINSK

We will complete the process in seven days.

TALDYKURGAN

We estimate that we will complete the task in 15 days.

CHIMKENT

The city administration plans to select a bank through which registration charges will be made. The process will be completed within seven days from the time of the presentation of the application.

5. One Key Requirement For The Success Of The Project That Has Been Identified During The Seminar Is The Need To Offer Incentives To Owners Who Chose To Form Cooperatives.

a). Describe Some Of The Incentives That Your City Could Adopt To Encourage Cooperative Formation?

ATYRAU

No answer.

KARAGANDA

All of the property should be conveyed, basements, yards commercial space, space for kiosks. Commercial activities should be allowed, with the money collected use for cooperative purposes. An incentive would be to assure that the utilities system will remain in an operable, functioning condition. Take measures to assure that the cooperative can do everything in managing and maintaining their property except provide and maintain the utilities. The speaker noted that 90 million tenge is needed today in Karaganda to do deferred capital repairs. The resident fees collected should be tax free, but other commercial activities of the cooperative should be subject to taxation.

PAVLODAR

We could provide: free registration of the cooperatives, a one-time low interest loan for urgent repair of the building, the establishment of a mechanism whereby residents would have the right to dispose of their building and grounds, the cooperative will receive the rent for commercial spaces contained on the cooperative premises. The cooperative will be given the right to economic and commercial activities, and the right to the land adjacent to the cooperative's buildings.

SEMIPALATINSK

An incentive we will consider is using city funds for the paying of deferred capital repair prior to the transfer of the ownership to the cooperative. The speaker went on to say that the utility tariffs in Pavlodar and Almaty are low. In Semipalatinsk, there are no tariffs for heat and hot water. He asked, "why should a pensioner and a millionaire pay the same amount for utilities." He suggested a program of subsidies for protected categories of people, a low income family subsidy would be a new incentive to encourage the formation of cooperatives in mixed income buildings. He also suggested that utility meters be installed to help encourage conservation.

TALDYKURGAN

As an incentive, we plan to convey the right to the adjacent land plot,, and allow for the leasing of non-residential premises and basements.

CHIMKENT

We would convey the right to the land plot and the basement as an incentive. There are some conflicting codes that will have to be amended. The cooperatives should be tax exempt, currently 80 percent of revenues collected by a commercial venture is paid in taxes. The city should remain responsible for the maintenance of the utility systems outside of the cooperatives' buildings.

b). If There Is A Cost Associated With The Incentive, What Is The Source Of Funding For The Incentive?

ATYRAU

No answer.

KARAGANDA

We would allow the cooperative to collect and keep the commercial rent and revenues from other commercial activities that the cooperative may undertake.

PAVLODAR

It will be recommended that the money already collected and being held by the city for maintenance for the buildings be transferred to the cooperative bank account upon the completion of the registration.

SEMIPALATINSK

No answer.

TALDYKURGAN

No answer.

CHIMKENT

We would allow the cooperative to collect the commercial rents and be exempt from business taxation.

6. A Separation Of Maintenance Duties Will Have To Be Agreed Upon Between The City Maintenance Agency And The Cooperative.

a). Describe Which Maintenance Tasks Are Suitable To Be Transferred Over Immediately To A Newly Formed Cooperative?

ATYRAU

No answer.

KARAGANDA

We would divide the responsibilities for maintenance of the engineering systems between the city maintenance agencies and the cooperative.

PAVLODAR

The cooperative should be allowed to perform all of the economic and financial activities of a newly formed legal entity. The cooperative should be allowed to hire staff or contractors to perform maintenance and repair to the building, apartments, and grounds.

SEMIPALATINSK

The cooperative should be allowed to fulfill all of the duties and rights continued in the bylaws of the cooperative. The cooperative could assume some of the responsibility for current repair.

TALDYKURGAN

The cooperative should be allowed to enter into a contractual arrangement with the local housing maintenance office.

CHIMKENT

The cooperative should assume responsibility for the maintenance of common areas.

b). Describe Maintenance Tasks That Could Be Transferred Over To A Cooperative That Has Been In Existence For At Least Six Months?

ATYRAU

No answer.

KARAGANDA

The cooperative should be ready to assume all responsibility for the maintenance of the building and grounds.

PAVLODAR

The cooperative should have accomplished the accumulation of resources needed for major maintenance tasks associated with the maintenance of the buildings and grounds.

SEMIPALATINSK

The cooperative should be prepared to assume all maintenance tasks.

TALDYKURGAN

The cooperative should be capable of entering into contracts with service suppliers, the collection of charges for communal services, for performing all current repairs to the stairwells and grounds.

CHIMKENT

The cooperative should be responsible for the disinfecting of the basements, and the maintenance of the engineering systems within the building. The exterior facade and the commercial spaces.

c). Identify the maintenance tasks that should remain the purview of the city maintenance agency?

ATYRAU

No answer.

KARAGANDA

The city should retain the maintenance of the engineering systems within the building.

PAVLODAR

The city should continue to supervise the observance of the housing legislation, the city resolutions, and the bylaws of the cooperative. The city should provide low interest loans for the repair of the building. The city should provide legal, technical assistance, and remain responsible for capital repairs.

SEMIPALATINSK

The city should remain responsible for capital repair, and routine and emergency repairs to the gas, sewer, water, and electricity systems outside the building.

TALDYKURGAN

The city should be responsible for emergency repairs.

CHIMKENT

The city should retain responsibility for the maintenance of the engineering systems outside the building.

7. When You Have Met Minimum Requirements Set Forth Above, You Are Ready To Start Inviting The Formation And Registration Of Cooperatives.

When Do We Feel We Will Be Ready For ICMA To Schedule A Site Visit To Help Us Initiate The Resident Cooperative Program?

ATYRAU

No answer.

KARAGANDA

We will be ready by the second or third quarter of 1995.

PAVLODAR

Third quarter of 1995. The city expressed some concern regarding the success of the cooperatives when the members will be of varied social status. A need to better coordinate the privatization effort with the social security services administration to avoid imposing a hardship on the poor.

SEMIPALATINSK

No answer.

TALDYKURGAN

We expect to be ready by April 1995.

CHIMKENT

No answer.

IV. RECOMMENDATIONS

A, CLOSING RECOMMENDATIONS OF THE WORKSHOP

It is a custom for the participants in a seminar to issue a closing resolution summarizing the outcomes of the seminar and providing a list of recommendations for the participants to follow. The process is a rather

formal recitation of the resolution, with the seminar participants offering comment or changes. Once the resolution content has been agreed upon by the group, copies are provided to all participants for implementation. The resulting resolution was an impressive compilation of the seminar and not only embraced the goals of the seminar sponsors, but in several instances went beyond expectations. A summary of the recommendations follows¹⁰:

1. The mayors of the cities that participated in this workshop are hereby recommended to:

- a). Develop and adopt city programs for establishing and supporting resident cooperatives in accordance with the results and recommendations of this workshop.
- b). Establish committees chaired by the deputy mayors, and including all departments involved in the efficient handling of the issues of resident management cooperatives.
- c). Adopt resolutions affecting resident management cooperative setting forth the obligations of all agencies involved in the cooperative program.
- d). Launch a broad information and advertising campaign aimed at setting up resident management cooperatives using mass media including paid advertisement in local newspapers, TV and radio commercials as well as participation in interview shows. The cities should also take the initiative to organize meetings of interested residents.
- e). Provide funding and hire two positions of Resident Services Coordinator to begin establishing resident management cooperatives.
- f). The residents should be held responsible for making the repairs on the cooperative's buildings.
- g). Suppliers of communal and other services should continue to be responsible for maintaining those portions of the utility systems outside of the cooperatives buildings.
- h). The local government should provide standards and oversight on the maintenance performed by the cooperatives. The cities should perform capital repairs in a timely manner.
- i). The cities should establish a series of gradual rate increases for housing maintenance and communal services designed to move the resident cooperatives in a step-by-step transition to full financial responsibility for all housing maintenance and non subsidized communal services.
- j). Introduce incentives for participants of a resident management cooperative. We recommend the following incentives:

¹⁰ For a complete text of the resolution see Exhibit F.

1). Authorize the cooperative to collect maintenance payments made by cooperative members, and allow the cooperatives to spend the money for such needs of the cooperative as has been determined by the membership in accord with the bylaws.

2). Allow the resident management cooperatives to operate commercial spaces within their buildings. Rent collected from the commercial operations may be used by the cooperative for needs as determined by the membership in accordance with the bylaws of the cooperative.

3). Adopt the experience of the NorthKazakhstan *Oblast* where the rates for space heating older housing units are applied to housing managed by resident management cooperatives. *Oblast* administrators are urged to apply to the Ministry of Energy and the State Anti-Monopoly Committee for permission.

4). Streamline as much as possible, the procedure for the registration of emerging resident management cooperative. The established procedures should not require the cooperatives to process the registration with several agencies. There should be no cost to the cooperative for the registration function.

5).It is recommended that only the following documents be submitted for the registration of resident management cooperatives:

- a)..The completed registration application form.
- b). The foundation deed (which is equivalent to a condominium declaration).
- c). The bylaws of the cooperative.
- d). The minutes of the general meeting of the members.
- e). A list of the committee members.

2. The directors of *oblast* housing maintenance departments and the directors of city housing maintenance organizations should ensure the fulfillment of the tasks set forth in the city's resident management cooperative program.

3. City committees on land relations and land tenure should set the land use boundaries for resident management cooperative buildings and issue the State deeds granting the right to the permanent use of the land parcels attached to these buildings on a gratis basis.

4. The ministry of Construction , Housing and Territorial Development, together with the *Kazzhilkomkhoz* should organize the work of drafting the materials and documentation necessary for establishing and supporting resident management cooperatives.

5. The Ministry of Construction, Housing and Territorial Development, together with the *Kazzhilkomkhoz*, should apply to the republic asking for the permission to allow resident management cooperatives collect all

lease receipts from lessees of nonresidential uses of the premises, both built-in and located on the land parcel attached to the cooperative building in question.

6. The Ministry of Construction, Housing and Territorial Development, together with the *Kazzhilkomkoz*, should apply to the republic for approval for the tax free status of the services provided by the resident cooperatives to their members.

7. The *Kazzhilkomkhoz* should apply to the republic for subsidies to be used for capital repairs to the buildings of the resident management cooperatives.

8. ICMA should organize the visits of its technical advisory teams to the project cities, including the site visits of foreign experts, for the purpose of rendering organizational and technical assistance to these cities. The teams will conduct seminars and workshops for city and maintenance personnel as well as for interested groups of residents to develop an understanding of the program.

9. ICMA shall provide assistance in copying of study and technical materials as well as the legal documentation of resident management cooperatives, and shall develop a communications link between the cities participating in the project.

B. The Consultant's Recommendations

The task of assisting cities in establishing a program to encourage resident management cooperatives is well thought out and has provided the first step in what will be a long process involving considerable time to provide the mentors, and "hand-holding" guidance that will be required in introducing new concepts to a citizenry wary of government officials. The tasks completed during this short-term assignment were the first steps in implementing the project, and accomplished the goal of educating a select group of city officials and gaining their support. While intensive staff contacts will be required to keep the project in the forefront of the cities now that the seminar is over, measures must be taken to begin the second phase of the project, that being the training of the residents in the responsibilities of homeownership. Ever since Secretary of Housing and Urban Development, Jack Kemp, first made resident initiatives an integral part of the Nation's housing policy, HUD, with the support of Congress, has been encouraging a more active role on the part of residents in the management of their housing units. Programs designed to develop self-sufficiency on the part of public housing residents are now statutory requirements for future housing grants from HUD. Through the self-sufficiency efforts, residents are given the assistance and support necessary to remove the educational and training barriers that are preventing them from becoming employed in a living wage job. An ultimate goal of HUD's self-sufficiency efforts is the conversion of the tenant of a dwelling unit into the owner of the dwelling unit. As the author and practitioner of the only HUD approved public housing homeownership program operating in the four state HUD Pacific Northwest office, I see strong similarities to the goals of our National housing policy, and those of the Republic of Kazakhstan. The similarities and the lived experience of the HUD effort underway for several years has demonstrated that intense training must be given to the resident to prepare them for the

responsibilities of homeownership. A two part training program needs to be introduced in Kazakhstan as soon as possible in an effort to provide the basic knowledge needed by the new owners of privatized housing. The skills that must be developed by owners of privatized units are an understanding of the legal aspects of homeownership, and the practical aspects of homeownership. Training on the legal aspects will require that owners learn to deal with the less than complete laws and regulations governing the ownership of housing in Kazakhstan. Items such as contracts, appraisals, deeds, restrictions, recordation's, financing, liens and transfers are among the basics that should be taught, even if the system in place is not complete. From the practical side, the training should help owners develop the basic skills needed to diagnose the need for repairs, the process of contracting for repairs, the hands-on knowledge in how to perform simple maintenance tasks and the need to plan for capital replacements, all combined are the essential to the residents and the republic having a successful privatization program. Ideally, the training program should be presented in the city where the privatized owners are forming cooperatives. The lack of knowledge and experience in housing maintenance and ownership will require that ICMA assume an active role in providing the initial training. Overtime, residents who have undergone the training and have successfully developed and operated cooperatives could provide the training to others, thereby providing a source of income to the cooperative. Although not the best option, the training could be offered in Almaty with representative owner participants attending. Similar programs initiated in the HUD privatization of multi-family public housing has shown the need to have full involvement of all residents in a complex assuming the new responsibilities of property management and maintenance. Ideally, the training program should be presented in the city where the privatized owners are forming cooperatives. The lack of knowledge and experience in housing maintenance and ownership will require that ICMA assume an active role in providing the initial training. Over time, residents who have undergone the training and have successfully developed and operated cooperatives could provide the training to others, thereby providing a source of income to the cooperative. Although not the best option, the training could be offered in Almaty with representative owner participants attending. Similar programs initiated in the HUD privatization of multi-family public housing has shown the need to have full involvement of all residents in a complex assuming the new responsibilities of property management and maintenance.

In America, lived experiences provide public housing residents who have never had a living family member achieve homeownership, acquire a basic understanding of the elementary concepts of property acquisition and ownership, but a nation of people who have not been exposed to the rights and privileges of homeownership for well over a half century, will require additional training and time to assimilate the concepts and perfect the system. To expect otherwise would be setting the stage for economic disaster, exacerbated by the transference of the housing problems with not hope for solution, from the public sector to the private sector.

At a recent monthly briefing at the USAID offices, the apathy and distrust of government prevalent in Kazakhstan was discussed. The suggestion was made that NGO's have been very successful in winning over citizen trust and support, and may be the best way to democratization. An element of the program to form resident management cooperatives is to determine the advisability of forming a NGO to assume the responsibility for promoting and supporting the privatization programs underway and proposed for Kazakhstan.

Early indications encourage further study on the benefits of a NGO that could assist the cities and the residents in the completing the republics privatization program. As the nation moves through the phases of privatization, emerging problems and needs will require ongoing support in the areas of contractor development for the heretofore non-existent professional services such as property management and maintenance services, accounting and tax consulting and materials and equipment supply. It would be advisable to open discussions with other USAID contractors in Kazakhstan responsible for the establishment of NGO's to finalize the recommendations, and if warranted initiate the process for establishing a NGO. The need for the assistance from a NGO exists today, however, the infancy of the housing privatization efforts will allow a period of approximately one year to assess the need and explore options for establishing and funding a NGO capable of providing counseling and training assistance on housing matters throughout the republic.

C. Replication

The materials developed for the seminar are intended to be used by others in offering the seminar to other cities within Kazakhstan or to other Russian speaking countries undergoing similar privatization programs. The video produced and offered to participating cities could have another language track dubbed over for use in republics of the former Soviet Union whose official language is other than Russian.

D. The Future

Carrying the concept of addressing the housing problem of Kazakhstan in to a logical conclusion, I would suggest that the third phase of the privatization effort should be the early introduction of training programs to create a property management industry and expand the property maintenance industry. As the republic moves more deeply into the privatization of housing management and maintenance, business incubators should be established with the assistance of the established centers of learning found throughout the republic. Measures should be taken to transition existing maintenance employees from the republic and the city into private enterprise operations. With over 120,000 people employed in the housing maintenance and management functions a re employment effort similar to that underway in the defense industry should be undertaken.

EXHIBIT A

INVITATION TO PARTICIPATE IN PROGRAM TO ENCOURAGE THE FORMATION OF CONDOMINIUMS/COOPERATIVES

The United States Agency for International Development (USAID), the International City/County Management Association (ICMA), the State Communal Housing Concern (Kazzhilkomkhoz) and the Ministry of Construction, Housing and Territorial Development are pleased to invite your city to participate in a program to improve the maintenance of privatized residential buildings. The goal of the program will be to encourage the formation of cooperatives of apartment owners to assume responsibility for management and maintenance of their buildings. The program will begin with a workshop in Almaty on December 8 and 9, 1994 and will culminate in the formation of cooperatives in participating cities by February 1995. The attached outline describes the program in more detail, including the benefits to be provided by the sponsoring agencies and the commitments to be undertaken by participating cities.

The first phase of the program will be limited to 5 or 6 cities that indicate a strong commitment to the program. Based on the representation of your city at the recent conference in Petropavlovsk sponsored by Kazzhilkomkhoz, we hope you will be interested in participating. If the model developed in the first phase is successful, we intend to replicate it in other cities.

If your city is interested in participating, please call ICMA (3272) 33-02-43 or (3272) 33-22-67 as soon as possible to indicate your interest. Participating cities will be asked to sign the enclosed agreement and return it to ICMA **no later than November 25, 1994**. Signed agreements may be returned to ICMA by facsimile at (3272) 33-02-43 or may be delivered to ICMA's office in Almaty (Kazakhstan, Almaty, 480091, 42 Gogolya St., Apt. 2). Please call ICMA if you have any questions or comments about the program.

Thank you for considering this proposal and we hope to have the opportunity to work together on this exciting project.

United States Agency for
International Development

Craig Buck
Director

International City/County Management Association

Richard Gaynor
Director

Ministry of Construction, Housing and Territorial Development

A. Tshanov
Minister

Kazzhilkomkhoz

V. Zhurin
Deputy Chairman

EXHIBIT B

JOINT PROGRAM OF USAID/ICMA, "KAZZHILKOMKHOZ," AND MINISTROI TO ENCOURAGE THE FORMATION OF CONDOMINIUMS/COOPERATIVES

AGREEMENT OF PARTICIPATING CITY

By signing below, the undersigned, on behalf of the City of _____, agrees to participate in the joint USAID/ICMA, Kazzhilkomkoz and Ministroi program to encourage the formation of resident cooperatives to assume responsibility for management and maintenance of privatized residential buildings.

The City of _____ agrees to participate in the program, as it is described in the attached memorandum. As part of its participation in the program, the City of _____ will fulfill the following conditions:

1. The City administration will nominate four to six participant for the workshop-seminar to be held in Almaty on December 8 and 9, 1994. The participants should meet the requirements listed in the attached memorandum. The City administration will provide ICMA with the names and brief descriptions of the proposed participants by no later than November 25, 1994. The descriptions will include information about each nominee's educational and employment background, current position and length of time in current position. (ICMA will reimburse the City administration for (a) travel and (b) hotel expenses for the participants and will provide some food or a small sum of money to each participant for food.)

2. The City administration will recruit one or two persons for the resident liaison position described in the attached memorandum. The City administration recognizes the importance of the resident liaison position to the success of the program and will attempt to nominate highly motivated, energetic, friendly and competent persons, capable of working with and assisting residents. Some experience in housing, teaching, and media relations is desirable.

3. The City administration will use its best efforts to provide the legal basis for the implementation of the program, including adoption of all local resolutions and regulations necessary to make the process of formation and the procedure of registration of resident cooperatives as simple as possible. To further encourage residents to form associations, the City Administration will waive all registration fees normally required to register a cooperative association.

4. The City administration will conduct an aggressive advertising campaign in printed media and on radio and television to attract resident participation in the program.

The City administration will adopt at least two of the following incentives to encourage resident participation:

- Provide a significant discount on fees charges to cooperatives for utilities for at least two years from the date of registration of the cooperative;
- Transfer rights to use the land parcel to the cooperative;

- Allow the cooperative to conduct and collect rents from additional commercial uses on the land parcel (such as kiosks);
- Allocate commercial rents generated from the building(s) to the cooperative;
- Allow the cooperative to use basement/storage areas; or
- Any other incentive mutually agreed upon with ICMA.

6. The City administration will provide adequate premises for follow up seminars and meetings, which will take place in the City.

7. The City administration will assist ICMA in making travel and lodging arrangement for ICMA personnel traveling to the City. (ICMA will pay its own travel and local rates for lodging as necessary.)

Agreed:

On behalf of the City Administration
of the City of _____

EXHIBIT C

NOTE: These bylaws are a sample form. Each cooperative will have to review them carefully and revise them to fit into individual circumstances. All blanks are to be filled-in according to the desires of the cooperative.

DRAFT (December 5, 1994)

REGISTERED by the _____
City Administration

APPROVED

by the decision of
the resident management
residing at _____

Minutes #1 as of _____

**BYLAWS OF THE RESIDENT MANAGEMENT
COOPERATIVE**

I. General Provisions

1. The resident management cooperative (hereinafter referred to as RMC), was created at the initiative of the owners of privatized apartments residing at address)
_____ at the organizational meeting held on _____ 1995.
2. The purpose for formation of the RMC is to provide for the appropriate maintenance of the occupied residential area, the building as a whole, and the attached land parcel, as well as to arrange for the provision of the RMC members with communal and other services, to represent and to protect their interests as consumers of communal and other services and to collaborate with governmental and non-governmental organizations for a better quality of life.
3. The RMC in its activities shall be governed by the legislation of the Republic of Kazakhstan that regulates issues pertaining to: ownership of housing; to management and maintenance of the housing stock; the protection of consumers' rights and other issues; and by these bylaws.
4. Upon the moment of the registration of these bylaws, the RMC shall become a legal entity, have its own balance sheet, be able to conclude agreements and bear various types of responsibilities in its person, as well as to act as a plaintiff and respondent in court and in arbitration proceedings.
5. The RMC shall have its own Seal and Stamps.

6. The RMC is located at the following address:

7 The provisions of these bylaws are applicable to all present or future owners, their tenants, or any other persons who use the facilities of the cooperative.

II. Power of the RMC

8. In accordance with the specified goals, the RMC shall:

- a) supervise the appropriate technical and sanitary maintenance of the residential building;
- b) independently select individual employees or a maintenance organization for maintaining the building, which may include state-owned housing maintenance agencies, repair and construction organizations, cooperatives, private firms, and other economic entities, as well as make contracts for the maintenance and repair of the Premises;
- c) ensure the participation of the RMC members in all expenses connected with the management and maintenance of the building based on the relative occupied area of each apartment;
- d) ensure prompt placement of collected management and maintenance assessments in the RMC bank account;
- e) inspect and pay for maintenance and repair work in a timely manner;
- f) ensure the observance of the rules established for the use of residential premises, maintenance of residential buildings and attached land parcels by all RMC members;
- g) elect to act as utilities customer (including water, natural gas, heat, power supply, etc.); enter into contracts with companies providing these services.
- h) in cases of unsatisfactory performance, apply sanction to organizations maintaining the building, to other entities, as well as to private individuals providing their services to the RMC;
- i) be entitled to lease vacant non-residential premises to other organizations and private individuals;
- j) have the right to be engaged in commercial or other economic activities either independently or on the shared participation terms for the purposes of obtaining additional financial or physical resources to be used for the successful operation of the RMC;
- k) be engaged in any other activity aimed at protection of the rights of the apartment owners and consumer's rights.
- l) own and purchase any appliances, machinery, hardware, and other property necessary for the implementation of its goals.

III. Funds

9. The RMC funds are made up of current assessments for the management and maintenance of the building(s) and attached land parcel and also loans, credits, subsidies, voluntary donations and incomes, generated by commercial and other economic activities.

10. The assessments for the maintenance and repair of the building and the attached land parcel shall be made in the amount that will ensure all necessary expenses on the above mentioned kinds of work and services, including deductions used for the rehabilitation of the building. The amount of the assessments for the maintenance and repair of the building. The amount of the assessments shall be determined by the Executive Board based on the amount of the contracts for maintaining and repairing of privatized residential buildings and other items of income and expense.

11. The RMC annual meeting may decide to raise special funds (to be used for land improvement, for cultural, educational and recreational work, salaries and bonuses to the Executive Board)

IV. Rights and Obligations of RMC members

12. The owners of apartments within the Premises shall constitute the members of the RMC.

13. RMC members shall exercise the right to their residential premises in compliance with existing legislation.

14. An RMC member shall be entitled to:

- a) to elect Executive Board and Auditing Committee members as well as to be elected to them.
- b) act through a proxy by giving that proxy a power of attorney. The RMC member may, in writing, revoke the power of attorney at any time.
- c) raise any question to be discussed at the General Assembly under the condition that the question was raised not later than _____ days before the date of the General Assembly.
- d) dispute decisions of the Executive Board, General Assembly and Audit Committee in the state arbitration or in the court.

15. An RMC member shall be obligated to:

- a) observe the requirements set in the RMC bylaws, and the decisions made by the General Assembly or meetings of the Executive Board.
- b) use the premises according to its designated use, ensure its good condition and observe the rules for the use of the premises, maintenance of the building and attached land parcel;
- c) make monthly payments for the maintenance and repair of the building.

16. In case of his/her temporary absence from his/her apartment, an RMC member shall keep his/her rights and obligations stipulated in these bylaws.

17. Money paid to the RMC for the repair of the building (including capital repair), as well as for other purposes, shall not be returned to the residents.. Any indebtedness of the resigned RMC member shall be collected through established procedures.

18. In the event of destruction or damage to the building or grounds caused by the resident or their families or guests, as well as in cases when they systematically violate the rules of conduct, making it impossible for the other residents to reside in the same building, the residents in violation shall bear

responsibility for their actions pursuant to existing legislation. Such residents shall be responsible for compensating the RMC and other residents for damages they inflict.

19. Disputes arising between the RMC and its members, as well as between the RMC and governmental agencies, and other cooperatives and organizations shall be settled through the established procedure.

V. Administrative Bodies

. General Assembly

20. An RMC Annual meeting of its Executive Board shall be the principle meeting of the RMC.

21. The Annual meeting of the RMC members shall be of the highest RMC body. It shall be authorized to address the following issues:

- a) approval of and amendments to the RMC bylaws;
- b) election of the Executive Board and the Auditing Committee;
- c) approval of the RMC budget, formation of RMC funds and establishing the procedures for their spending;
- d) considering complaints;
- e) approval of the economic and financial annual report prepared by the Executive Board, and of the economic-and-financial plan for the following year;
- f) termination of the RMC;
- g) other issues that are included in the RMC competence.

22. The RMC annual meeting shall be held on the _____ (first or second or third, etc.) _____ (Monday or Tuesday or Wednesday, etc.) of _____ (month) of each year. At such annual meeting, there shall be elected an Executive Board.

23. Additional RMC meeting shall be convened at the request of at least 20 percent of the RMC members or the Auditing Committee, or the Executive Board.

24. At annual meetings of the RMC members, 51 percent of the RMC members, (or their proxies) shall constitute a quorum.

25. Decisions shall be made by the annual meeting by a simple majority vote of the RMC members (or proxies) attending the meeting, with the exception the decisions on the points [20 a),e)] _____ of these bylaws, which require unanimity.

26. The agenda of the upcoming meeting shall be conveyed to the residents at least 20 days before the date of the meeting.

. Executive Board

27. The RMC Executive Board shall be composed of _____ (chose an odd number of at least three) members. The length of the term for the committee is one year. The principal officers of the association shall be a chairman, a chairman's deputy, a secretary and a treasurer, all of whom shall be members of the

Executive Board. The office of secretary and treasurer may be held by the same person. The chairman of the Executive Board shall be the person who receives the highest number of votes at the General Assembly. The Executive Board shall elect the chairman's deputy, treasurer and secretary from among the other members of the Executive Board. On the basis of the decision made by the annual meeting, members of the Executive Board may either be paid for their work or perform their duties without remuneration.

28. The Executive Board shall be the executive authority of the RMC; it shall report to the RMC and the annual meeting. The Executive Board shall have the following duties:

- a) make maintenance and repair contracts, as well as conclude other agreements pertaining to RMC activities;
- b) prepare plans, budgets, and reports;
- c) monitor maintenance and repair work; observe contractual agreements on the maintenance and repair of the building.;
- d) hire workers for maintaining the building and the attached land parcel, and for setting remuneration for these workers;
- e) dispense of the RMC funds according to the budgets approved by the General Assembly;
- f) represent the interests of the RMC at governmental agencies, entities, social and other organizations;
- g) control due receipts of RMC members' assessments established by the General Assembly, as well as utility and other payments. In cases when RMC members fail to make such payments in a timely manner, the Executive Board shall take appropriate measures in order to collect these payments through the established procedure;
- h) prepare documentation, accounting and reporting; and
- i) perform other duties stipulated in the bylaws.

29. The RMC Executive Board shall be entitled to disburse the RMC funds available on its banking account in compliance with financial and other plans approved by the General Assembly.

30. Vacancies in the Executive Board caused by any reason other than the removal of a member by a vote of the cooperative shall be filled by vote of the majority of the remaining members, even though they may constitute less than a quorum. Each person so elected shall be a member until a successor is elected at the next meeting of the, RMC.

31. At any regular or special meeting duly called, any one or more of the members of the Executive Board may be removed with the indication of cause by the majority of the owners and a successor may then and there be elected to fill the vacancy thus created. Any member whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

32. The first organization meeting of the newly elected Executive Board shall be held within ten days of the election at such place as shall be fixed by the members of the committee.

33. Regular meetings of the Executive Board may be held at such time and place as shall be determined, from time to time, by a majority of the members, but at least four times each calendar year.

34. Special meetings of the Executive Board may be called by the chairman on three days' notice to each member. Special meetings of the Executive Board may be called by the chairman or secretary in like manner and on like notice on the written request of at least three members.

35. At all meetings of the Executive Board, a majority of the members shall constitute a quorum for the transaction of business. The acts of the quorum shall be the acts of the Executive Board. If, at any meeting of the Executive Board, there be less than a quorum present, the members present may adjourn the meeting from time to time.

36. The chairman shall be the chief executive officer of the cooperative. The chairman shall preside all meetings of the cooperative and meetings of the Executive Board. The chairperson shall have all of the general powers and duties that are usually vested in the office of chairman of an association, including the power to appoint committees from among the owners to assist in the conduct of the cooperative's affairs.

37. The chairman deputy shall take the place of the chairman and perform the chairman's duties whenever the chairman shall be absent or unable to act. If neither the chairman nor the chairman deputy is able to act, the Executive Board shall appoint some other member of the Executive Board to do so on an interim basis. The vice-chairman shall also perform such other duties as shall from time to time be requested by the Executive Board.

38. The secretary shall keep the minutes of all meetings of the Executive Board and minutes of all meetings of the cooperative; the secretary shall have charge of such books and papers as the Executive Board may direct; and shall, in general, perform all the duties incident to the office of secretary.

39. The treasurer shall have responsibility for association funds and securities and shall be responsible for assuring that full accurate accounts of all receipt and disbursements are kept in books belonging to the cooperative. The Auditing Committee shall advise and assist in carrying out the duties of the treasurer.

VI. Auditing Committee

40. The Auditing Committee shall be composed of at least three members elected at the General Assembly. The length of the term for which they shall serve shall be one year. The Auditing Committee shall be the controlling authority.

41. The Auditing Committee shall elect its chairperson. The chairperson shall be a member of the auditing committee. The auditing committee shall make an audit at least once a quarter. It shall also make an open audit either at the request of at least 20 percent of the RMC members or on its own initiative.

42. The Executive Board members are obliged to produce any RMC documents if requested by the Auditing Committee. The Auditing Committee shall be authorized to employ an outside auditor paying for this work from the RMC funds. If there are less than 20 members in the cooperative, an auditor shall be selected by the General Assembly, instead of the Auditing Committee.

43. The Auditing Committee shall convey the results of the audits to the annual meeting of the cooperative. The Auditing Committee submits a resolution on the results of the year ending balance and reconciliation of all accounts. Without a resolution of the Auditing Committee, the annual meeting shall not approve the annual financial balance of the RMC.

VII. Termination of the Cooperative

44. The RMC may be terminated in the cases of:

- a) a taking of the land parcel for public or social purposes ;
- b) damage or destruction by fire, earthquake or other event of more than 50 percent of the building and a decision approved by the vote of at least 75 percent of the RMC members not to rebuild the damaged or destroyed portions of the building;
- c) at the unanimous decision of the RMC members;
- d) and as well as in other cases stipulated by law.

45. The assets of the RMC that remain after paying the debts of the RMC shall be distributed among the RMC members in proportion of their shares in the common property. Termination of the cooperative shall be registered in the same manner as the foundation deed. Upon termination, the owners of premises may agree on some other form of ownership. If they fail to agree, they shall be deemed to own the common property as joint property, provided that they shall have exclusive right to occupy their premises.

EXHIBIT D

RESIDENT COOPERATIVES SEMINAR

CITY BASED WORKSHOPS

December 9, 1994

Almaty, Kazakhstan

Discussion Sessions For Each City Team To Discuss Issues, Problems, Or
Procedures To Be Used In Implementing The Resident Cooperative Program

What Is Expected Once Your Return Home

1. Adopt the necessary enabling resolutions.

Who will be responsible for drafting the resolution?

What contacts and meetings will have to be scheduled and held prior to introduction of the resolution?

2. During the month following the seminar, advertise for resident participation.

How will we advertise the program.?

What techniques will we use?

Who will be responsible for this task?

3. Staffing commitments are an important aspect of the program, and a key to the success of the cooperative effort.

Discuss how you will identify, select and/or hire capable people to serve as Resident Services Coordinators. Give specifics as to skills you will seek in the individuals you will hire.

How many Resident Services Coordinators do you plan on hiring or identifying in 1995?

Who will the Resident Services Coordinators report to?

If paid, how will they be paid (source of funds)?

What other city resources will be provided to the Resident Services Coordinator staff and the registration office?

4. A system of recording the cooperation agreements and the bylaws will have to be developed.

Who will be assigned to performing the review of the model bylaws, and developing a draft suitable for adoption as the cities model cooperative bylaws?

Will we charge for the recordation of the cooperative documents, and if so, how much will we charge?

What measures will we take to assure that the documents presented for recordation are given a prompt review and recordation? What do you consider a timely review and recordation period?

YOU HAVE BEEN WORKING VERY HARD.
TIME FOR A TEA BREAK

5. One key requirement for the success of the project that has been identified during the seminar is the need to offer incentives to owners who chose to form cooperatives.

Describe some of the incentives that your city could adopt to encourage cooperative formation?

If there is a cost associated with the incentive, what is the source of funding the incentive?

6. A separation of maintenance duties will have to be agreed upon between the city maintenance agency and the cooperative.

Describe which maintenance tasks are suitable to be transferred over immediately to a newly formed cooperative?

Describe maintenance tasks that could be transferred over to a cooperative that has been in existence for at least six months?

Identify the maintenance tasks that should remain the purview of the city maintenance agency?

7. When you have met minimum requirements set forth above, you are ready to start inviting the formation and registration of cooperatives.

When do we feel we will be ready for ICMA to schedule a site visit to help us initiate the Resident Cooperative Program.

EXHIBIT E

THE MINISTRY OF CONSTRUCTION, HOUSING AND LAND DEVELOPMENT THE "KAZZHILKOMKHOZ" STATE CONCERN USAID/ICMA

RECOMMENDATIONS

of the Workshop
on the Formation of Resident Cooperatives
in the Republic of Kazakhstan

Almaty, December 8-9, 1994

A certain amount of work on privatization of apartments has been done in the Republic of Kazakhstan. By 1995, the index of privatized apartments is expected to reach 85%, which is the optimal figure as a number of residential buildings is not subject to privatization due to their being run down, as well as for other reasons.

According to the Decree of the President of the Republic of Kazakhstan "Concerning a New Housing Policy" as of September 6, 1993, a policy of uniting the residents of privatized apartments into resident cooperatives to resolve the problems common for all residents of the building. The objective of this process is a step-by-step reduction of the subsidies for management and maintenance of housing, and approximation of existing rates and market prices.

With due regard for the experience acquired on these issues in the cities of Petropavlovsk, Almaty, Semipalatinsk, Taldykorgan, and some others, as well as for the methodological materials provided by IKMZ, Zhilkomkhoz, the Ministry of Construction and experts from the participating cities, and for the purposes of accelerating the process of cooperatives formation in the country and supporting created cooperatives, the workshop participants provide the following recommendations:

1. The city mayors of the cities that participated in this workshop are recommended to:

a) Develop and adopt city programs for setting up and support of resident cooperatives with due regard for the results of this workshop.

b) Set up city committees headed by the deputy mayors. Include all concerned departments for the efficient handling of the problems pertaining to cooperatives.

c) Adopt resolutions on resident cooperatives comprising the obligations of all involved agencies in all project cities.

d) Launch a broad information, methodological and advertising campaign aimed at setting up resident cooperatives using mass media (publications of information and advertising materials in local press, showings of commercials and study films, radio and television interviews) and organizing information resident meetings.

e) Provide for one or two positions of resident liaisons in the Cities in order to organize the residents to set up resident cooperatives.

f) Residents should be held responsible for the running repair of cooperative buildings.

g) The suppliers of communal and other services should be held (as it is now) responsible for maintaining external engineering systems of cooperative buildings.

h) The control over keeping cooperative residential buildings in good repair should be exercised by local governments. Capital repairs should be made by local governments within established time periods.

i) Rates for housing maintenance and communal services for resident cooperatives should be established with due regard for step-by-step transition to non subsidized housing maintenance.

j) Introduce incentives for cooperative residents. For this goal:

-authorize the collection of maintenance payments made by cooperative residents by the cooperatives. The funds raised by the cooperatives should be spent by the cooperatives on their own needs stated in the bylaws;

-authorize creation by resident cooperatives of commercial spaces. The receipts from these spaces might be used for the cooperatives needs stated in the bylaws;

-borrow the experience of the North Kazakhstan oblast where the heat rates established for old-type housing construction cooperatives are applied to newly formed resident cooperatives. (For this goal, responsible administrations should apply to the Ministry of Energy and the State Anti-Monopoly Committee);

-facilitate the procedure for registration of emerging resident cooperatives as much as possible. This procedure should not imply the need to coordinate such registration with different agencies, and it should be conducted on a gratis basis.

It is recommended that the following documents should be submitted for the resident cooperative registration:

1. The application
2. The Foundation Deed
3. The bylaws
4. The minutes of the general meeting of the residents
5. A list of the executive committee members.

2. The directors of oblast housing maintenance departments (General directors of oblast production amalgamations) and the directors of city housing maintenance organizations should ensure the fulfillment of the tasks set in the city resident cooperatives programs for each project city (See Item 1a)).

3. City committees on land relations and land tenure should fix the land use boundaries for resident cooperative buildings and issue the State deeds to the right to the permanent use of the land parcels attached to these buildings on a gratis basis.

4. The Ministry of Construction, Housing and Land Development, together with the State concern "Kazakhstanhilkomkhoz", should organize the work on drafting the materials and documentation necessary for setting up and support of resident cooperatives.

5. The Ministry of Construction, Housing and Land Development, together with the State concern "Kazakhstanhilkomkhoz", should apply to the Government asking for the permission to let resident cooperatives collect all lease receipts from lessees of nonresidential premises, both built-in and located on the land parcel attached to the cooperative building in question.

6. The Ministry of Construction, Housing and Land Development, together with the State concern "Kazakhstanhilkomkhoz", should apply to the Government soliciting for the governmental approval for the tax-free status of the services provided by resident cooperatives.

7. State concern "Kazakhstanhilkomkhoz" should apply to the Government soliciting for subsidies to be used for the capital repairs of resident cooperative buildings.

8. ICMA should organize the visits of its teams to the project cities, including the site visits of foreign experts, for the purposes of rendering organizational and methodological assistance to these cities. The teams will conduct seminars and workshops for city and maintenance personnel, as well as for interested groups of residents so that they will understand the goals of the program.

9. ICMA shall provide assistance in copying of study and methodological materials and legal documentation of resident cooperatives, as well as contribute to the establishment of a communications link between the project cities.

**THE RESULTS OF A SURVEY OF THE PARTICIPANTS OF A WORKSHOP TO ENCOURAGE FORMATION OF RESIDENT COOPERATIVES,
WHICH TOOK PLACE IN ALMATY, DECEMBER 8-9 1994**

Question	Taldykorgan	Semipalatinsk	Atyrau	Pavlodar	Byshkek
1. What is a percentage of privatized housing in your city?, %	95	93	43	97	70
2. What is a percentage houses, which have 100% privatized apartments?, %	52	70	-	75	2
3. Which department in your city gets payments for the commercial rents of premises?	Oblast State Property Committee	State Property Committee	State Property Committee	State Property Committee	Housing Maintenance Department
4. Can you indicate any houses or groups of houses in your city, which you think, would be appropriate for the formation of resident cooperatives?	Yes	Yes (3 addresses are indicated)	Yes (1 address is indicated)	-	Yes (we are preparing a list of houses)

RESIDENT COOPERATIVES

Workshop for City Administrators

SPONSORED BY:

USAID/ICMA

MINISTROI

KAZZHILKOMKHOZ

PURPOSE

**A JOINT PROGRAM OF
USAID/ICMA
MINISTROI
KAZZHILKOMKHOZ**

TO ENCOURAGE:

RESIDENT COOPERATIVE FORMATION

RESIDENT COOPERATIVE

**IS USED TO DESCRIBE A GROUP OF RESIDENTS
WHO FORM AN ASSOCIATION UNDER ARTICLE
21 OF THE HOUSING CODE OF THE REPUBLIC
OF KAZAKHSTAN, TO ASSUME**

RESPONSIBILITY FOR THE MANAGEMENT AND MAINTENANCE OF THEIR BUILDING.

**THE NEW DRAFT HOUSING CODE OF THE
REPUBLIC OF KAZAKHSTAN USES THE TERM
"CONDOMINIUM ASSOCIATION" INSTEAD OF
THE TERM "COOPERATIVE OF APARTMENT
OWNERS."**

OBJECTIVE OF PROGRAM:

**TO ENCOURAGE THE FORMATION OF RESIDENT
COOPERATIVES TO ASSUME RESPONSIBILITY
FOR SOME OF THE MANAGEMENT AND
MAINTENANCE FUNCTIONS THAT ARE
CURRENTLY THE RESPONSIBILITY OF LOCAL
GOVERNMENTS**

FOUR COMPONENTS OF THE PROGRAM:

SEMINAR-WORKSHOP IN ALMATY

FOLLOW-UP WORKSHOP AND SITE VISITS

ADDITIONAL TECHNICAL SUPPORT

FORMATION OF AN INDEPENDENT SUPPORT ORGANIZATION

WORKSHOP PARTICIPANTS

CITY ADMINISTRATORS WHO HAVE AGREED TO IMPLEMENT A PROGRAM TO ENCOURAGE THE FORMATION OF RESIDENT COOPERATIVES

**ADDITIONAL COMMITMENTS FROM
PARTICIPATING CITIES**

ADOPT INCENTIVES

PROVIDE CITY RESOURCES

HIRE RESIDENT SERVICES COORDINATOR

GOAL OF WORKSHOP

**TO PROVIDE PARTICIPATING CITIES WITH THE
DOCUMENTATION AND OTHER MATERIALS
NECESSARY TO DEVELOP AND IMPLEMENT
THE RESIDENT COOPERATIVE PROGRAM**

**TRAIN INDIVIDUALS WITHIN EACH CITY WHO
WILL FUNCTION AS TRAINERS FOR CITY
OFFICIALS AND RESIDENTS**

CITY TEAMS

**MAYOR OR DEPUTY MAYOR IN CHARGE OF
MAINTENANCE**

SPECIALIST ON FORMATION OF LEGAL ENTITIES

1 OR 2 HOUSING MAINTENANCE EXPERTS

**1 OR 2 INDIVIDUALS TO BE TRAINED AS RESIDENT
SERVICES COORDINATORS**

SEMINAR AGENDA

DAY ONE:

MORNING SESSION

**PRESENTATIONS ON GENERAL CONCEPTS--
GOALS OF PROJECT--LEGAL BASIS--ROLE OF
CITY/MAINTENANCE ORGANIZATION--ROLE
OF RESIDENT MANAGEMENT COOPERATIVE--
DOCUMENT REVIEW--INCENTIVES**

DAY ONE: AFTERNOON FOUR CONCURRENT WORKSHOPS:

**MAYORS/DEPUTY MAYORS
LEGAL ENTITY FORMATION SPECIALISTS**

MAINTENANCE SPECIALISTS

RESIDENT SERVICES COORDINATORS

MAYORS/DEPUTY MAYORS

**SPECIFIC REVIEW OF LOCAL ENABLING
LEGISLATION NECESSARY TO CREATE
RESIDENT MANAGEMENT COOPERATIVES**

REVIEW OF INCENTIVES

METHOD OF REGISTERING COOPERATIVES

LEGAL ENTITY FORMATION SPECIALISTS

**REVIEW OF LOCAL PROCEDURES FOR
REGISTRATION**

**DEVELOPMENT OF FORMS AND STREAMLINED
PROCEDURES**

MAINTENANCE SPECIALISTS

**ESTABLISHING A DIVISION OF DUTIES AND
RESPONSIBILITIES BETWEEN THE CITY AND
THE RESIDENT COOPERATIVES**

**ESTABLISH FORMS OF AGREEMENT BETWEEN
THE ORGANIZATIONS**

DETERMINE METHOD OF PAYMENT

RESIDENT SERVICES COORDINATOR TRAINERS

IDENTIFY SKILLS NEEDED FOR RSM

PROMOTION AND INFORMATION

TRAINING OF RSM

BASICS OF MEETINGS--BOOKKEEPING

DAY TWO:

CITY BASED WORKSHOPS

**DISCUSSION SESSIONS FOR EACH CITY TEAM TO
DISCUSS ISSUES, PROBLEMS, OR PROCEDURES
TO BE USED IN IMPLEMENTING THE RESIDENT
COOPERATIVE PROGRAM**

WHAT IS EXPECTED ONCE YOU RETURN HOME

ADOPT NECESSARY ENABLING RESOLUTIONS

DURING THE MONTH FOLLOWING THE SEMINAR, ADVERTISE FOR RESIDENT PARTICIPATION.

(Seminar will result in the development of TV and print media promotional materials)

ICMA TEAM WILL VISIT EACH CITY THAT HAS SUCCESSFULLY FULFILLED ITS WORK TASKS.

**THEY WILL MEET WITH ALL MEMBERS OF THE
CITY TEAM TO DISCUSS ANY PROBLEMS OR
OTHER ISSUES.**

CONDUCT WORKSHOPS

FOR INTERESTED RESIDENT GROUPS

FOR CITY AND MAINTENANCE PERSONNEL

POSSIBLE USAID/ICMA ASSISTANCE

**U.S. STUDY TOUR FOR 1 OR 2 RESIDENT SERVICES
COORDINATORS.**

ASSISTANCE IN COPYING OF DOCUMENTS.

**FOLLOW-UP SITE VISITS BY INTERNATIONAL
EXPERTS.**

**ESTABLISHMENT OF A COMMUNICATIONS LINK
BETWEEN PROJECT CITIES.**

ESTABLISH A NATIONAL HOUSING ASSOCIATION

**IF DEMAND SUPPORTS AND FUNDING IS
AVAILABLE, CONSIDER THE CREATION OF A
NATIONAL, INDEPENDENT, NON-
GOVERNMENTAL, NON-PROFIT
ORGANIZATION RUN BY KAZAKHSTANIS TO**

**PROVIDE SUPPORT TO CITIES AND RESIDENTS
ON HOUSING RELATED ISSUES.**

RESIDENT MANAGEMENT SEMINAR

Getting Started

ICMA

Creating a Road Map

Where are we trying to go?

How are we going to get there?

What is our time line?

Do we have enough energy for the task?

LEADERSHIP

Before we can begin to organize the residents, we must first organize ourselves.

Before we can solicit the leadership within apartment communities, we must first have the commitment of our local government leaders.

**THE RESIDENTS WILL SUCCEED OR FAIL BASED
UPON OUR EFFORTS.**

What needs to be done?

- 1. Advertise the program.**
 - 2. Adopt the Resident Management Cooperative resolution**
 - 3. Commit to the staffing and support of the program.**
 - 4. Commit to moving the necessary papers past the proper "desks" in a timely manner.**
 - 5. Establish a plan to respond to resident inquiries.**
 - 6. Establish the date for the ICMA site visit.**
-

ICMA site visit and assistance

Minimum Expectations

Submit to ICMA the following:

Copy of the adopted resolution with date of adoption.

Name, qualifications and telephone number of Resident Services Coordinator.

Description of process for moving cooperative registration requests across the "desks."

A idea of where you would like to begin organizing, and a publicity plan.

Resident Training

Organizing: People working together to get things done.

Organizing is helping people speak for themselves.

What are the benefits of organizing?

Get things done!

Solve community problems

Involve people in decisions

Become more self sufficient

Use existing abilities and learn new skills

The First Step

Is to find out what issues and activities are important to the whole apartment community, and what needs, if any, are not being met. Use a survey instrument or questionnaire.

Recruit a few residents to help conduct the survey.

What is important to the residents?

What needs are not being met?

What do they want from the cooperative?

How are they willing to help?

What do they like about their community?

Some suggestions for success

Recruit people who youknow are concerned residents or who have been active in making changes in the past.

Be concrete in your goals: For example, "We are encouraging a Resident Management Cooperative to improve the maintenance of the stairways and common areas."

Set short term and long term goals. Accomplish short term goals first. People will lose interest if goals are too far reaching or are never accomplished.

Once the residents have achieved a couple of short term goals, the residents can set long term goals. Establishing long term goals and seeing them completed will sustain the interest of the residents and keep them involved.

Set realistic time frames for all goals.

RESIDENT COOPERATIVES

Basics of Cooperative Model

ICMA

Structure Of Model

Residents form cooperative and pay money to cooperative.

Cooperative hires contractors or employees to maintain the building.

Structure of the Cooperative

General Assembly

Executive Committee

Auditing Committee

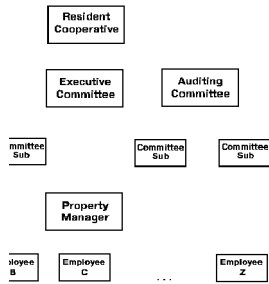
Property Manager

Other Committees

Professional Services

Skilled Workers

Employees



Responsibilities of the Resident Cooperative

The major responsibility of the

Resident Cooperative is to protect the investment and enhance the value of the property.

Secondary responsibilities are:

Providing for the physical maintenance and operation of the building.

Using the funds of the Cooperative effectively.

Collect money and pay for common services

Responsibilities of the Cooperative and the City

The City and the Cooperative must decide and set forth in writing the duties of the parties for the following maintenance items:

RESPONSIBILITIES OF THE COOPERATIVE

1. CURRENT REPAIR

2. EMERGENCIES

**3. REFUSE AND LITTER DISPOSAL INTO
CONTAINERS FOR CITY PICK-UP**

4. JANITORIAL SERVICE

Responsibilities of the Cooperative and the City continued

5. GROUNDS KEEPING

6. SELECTIVE PREVENTIVE MAINTENANCE

RESPONSIBILITIES OF THE CITY:

1. CAPITAL REPAIR

2. COMMUNAL SERVICES

3. REPAIRS TO UTILITY SYSTEMS

4. REFUSE PICK-UP FROM PROPERTY

Management of Resident Cooperatives

Factor's governing Cooperatives choice:

Number of apartments in Cooperative.

The physical features of the Premises (size of common yards).

Services provided to the residents.

Skills of the residents and time they are willing to devote to management duties,

Financial resources available.

OPTIONS FOR MANAGEMENT

- 1. Self Management by volunteer cooperative members.**
 - 2. Management by paid cooperative members.**
 - 3. Management by a professional management firm.**
-

Payments to Resident Cooperative

Initially the same as maintenance fees currently paid to the city.

Eventually, the Resident Cooperative must be granted the authority to set own budget and maintain own funds.

Regulations Governing the Resident Cooperative

Existing and future legislation of the Republic of Kazakhstan.

Bylaws of the Resident Cooperative.

Participation of Members

Each member is encouraged to be involved; at a minimum, they should attend the General Assembly and vote for the officers and on issues affecting the Cooperative.

Members are encouraged to join committees and volunteer for projects.

Each member must make the established payments to the Cooperative.

Responsibilities of the Executive Committee.

The principal responsibilities of the Executive Committee are:

Financial planning and budgeting.

Accounting.

Collecting the monthly contribution for assessments and fees.

Management and maintenance of the Premises.

**Establish policies: personnel, grievance procedures,
delinquency penalties, entry for repair, etc..**

RESIDENT COOPERATIVES

Difficult Issues and Incentives

ICMA

ISSUE 1. Does The Building Have To Be. 100% Privatized To Form A Cooperative?

The decision depends on the number of buildings already privatized within the city.

ISSUE 2. If Not, Which Buildings Are Eligible?

All owners are members (residents of non-privatized apartments are not members)

All owners and tenants are members, but non-owners cannot vote.

ISSUE 3. What Percentage of Residents Have To Agree To Create A Cooperative?

100% 75% 51%

ISSUE 4. How To Handle Commercial Spaces?

Owner is a member of the Cooperative:

Pays rent to the City

Pays rent to the Cooperative

ISSUE 5. What Is The Optimal Size Of A Cooperative?

It depends on physical circumstances and economics.

Is there a physical boundary?

Is there a number of apartments that are economically feasible?

ISSUE 6 How Does The Cooperative Enforce Its Rights?

It must Have The Support From The City.

ISSUE 7. How Do Residents Pay For Communal Services?

Cooperative collects money and pays supplier through bank

(Petropavlovsk uses this method for electricity, and water service).

Cooperative collects money and pays directly to supplier

(Petropavlovsk uses this method for gas service).

Media

Press conferences

News releases

Interviews (TV, radio and print)

Commercials

Resident Training And Support

Resident Services Coordinator

Forms of Important Documents such as bylaws.

Informational materials such as booklet and video.

INCENTIVES

Give cooperative the right to commercial rents or commercial spaces.

Give cooperative the right to land parcel and right to conduct additional commercial uses

Provide discount on communal service fees charged to cooperative

Give cooperative the right to basement and other storage areas